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Australian Crop Update - Winter Planting 2013

Report Categories:

Grain and Feed

Oilseeds and Products

Cotton and Products

Trip Report

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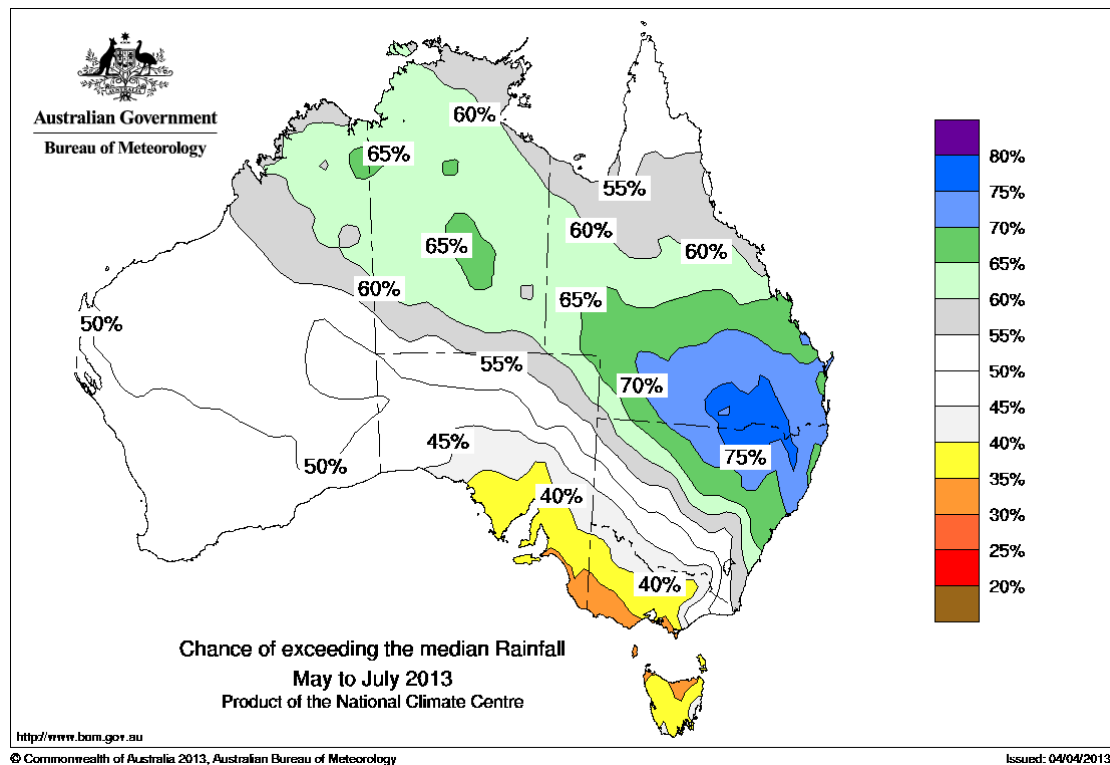
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Report Highlights:

Planting of the key winter crops in Australia is just starting in some areas. The majority of cropping regions are still waiting for rainfall to increase soil moisture levels, however some farmers are taking a risk and dry-seeding on the expectation of rainfall in the coming weeks. This report covers planting expectations for key winter crops plus provides some more in depth information about other crops grown in Australia which are not covered in regular reporting.

Seasonal outlook

The official Australian rainfall outlook for May to July 2013 is for higher than average rainfall across cropping areas in the southern half of Queensland and northern New South Wales (NSW). Cropping areas in Tasmania, Victoria and south-eastern South Australia are expected to experience a drier than normal season. In addition all major cropping areas except Queensland and northern New South Wales are expected to experience higher than average temperatures over the same period. Seasonal patterns over this period of the year are relatively stable and modeling confidence is good.



Input costs

Input costs such as fertilizer, fuel and chemicals have a major impact on the viability of cropping enterprises. Using 1996 as a base year the cost of all major cropping inputs have risen, particularly fuel and electricity. Part of the increase in prices in 2013 has been blamed on the Australian government's carbon tax which was implemented from July 1, 2012 and particularly affects electricity costs.

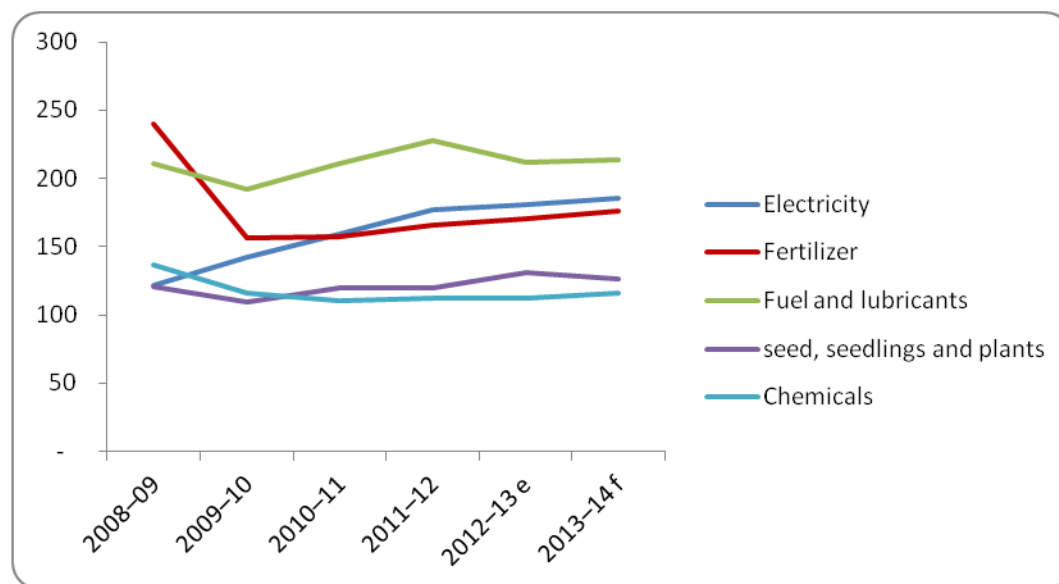


Figure 1 Index of prices paid by farmers (1996 base year)

Grain

High temperatures and lower than average summer rainfall have reduced soil moisture levels across most cropping areas in Australia. In New South Wales wheat planting has just commenced with some growers preferring to wait until after the seasonal break which is traditionally expected on ANZAC day (April 25th). Early estimates are for a 3 percent drop in wheat planting for New South Wales while canola plantings are also expected to be significantly reduced at only 475,650 hectares compared to 685,000 in 2012/13. Less than ideal planting conditions and remaining rainfall uncertainty are expected to challenge growers to achieve high yields and good protein levels.

Barley plantings are also expected to be lower than 2012/13 although the later the seasonal break occurs, the more likely growers will be to switch away from higher risk crops such as canola and chickpeas towards barley.

Oats plantings are largely finished with most growers focussing on dual-purpose types to take advantage of high demand for cattle-finishing options. Estimated planted area is expected to be down compared to 2012/13. The final harvested area of oats will largely depend on in-season rainfall and continued

demand for high-production cattle finishing systems.

These patterns are expected to be repeated across most growing areas with further reductions expected in Victoria where spring and summer rainfall was the third lowest on record.

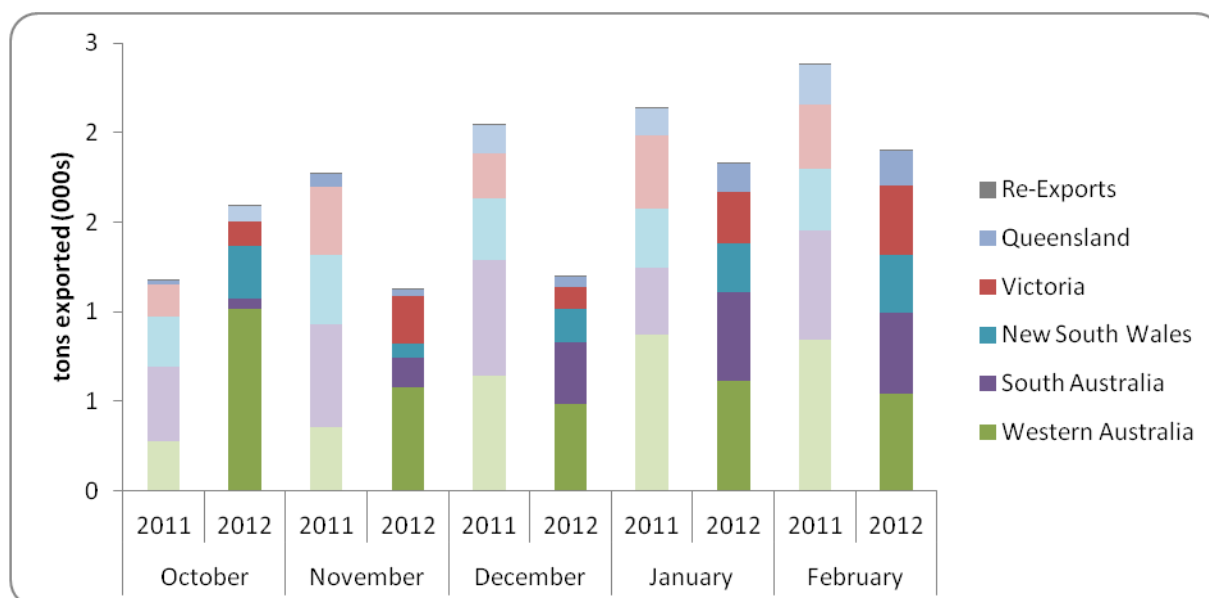
The major exception is the wheat belt of Western Australia where growers are reporting good moisture profiles and early sowing of canola has commenced. However, growers in the eastern wheat belt are reporting severe financial hardship due to increasing input costs and declining land values (up to 20 percent falls in some areas). These factors coupled with the high Australian dollar have combined to reduce equity levels and many banks are reluctant to extend finance to allow winter planting to occur. Nearly 1000 farmers attended a meeting on April 15 to call for government assistance and relief. The West Australian Government has ruled out providing assistance in the form of interest rate subsidies but has offered exit packages of up to \$20,000. While grain production in the eastern wheat belt of Western Australia area has always been marginal, up to 30 percent of the WA grain growing area could be affected and anecdotal reports have been received of at least 250,000 acres of farmland which could undergo forced sale.

Grain Exports to date

Total Australian wheat exports to date for MY2012/13 (Oct 2012 – February 2013) were 7.6 million tons which is nearly 20 percent lower than the same period in 2011/12. As expected Western Australia accounts for the largest proportion of exports (42 percent) followed by South Australia, New South Wales and Victoria.

Total barley exports for the same period were 1.3 million tons which is 50 percent lower than the same period in 2011/12.

Full year data is now available for the 2012/13 summer cropping export year which indicates that a total of 460,000 tons of rice was exported from Australia. This is 17 percent higher than 2012. Total exports of sorghum in 2012/13 reached approximately 1.2 million tons which is slightly higher than forecast estimates.



State	2011	2011	2011	2011	2011
All States	1,171,749	1,767,209	2,038,882	2,133,592	2,377,364
Western Australia	275,694	356,167	640,654	876,098	844,744
South Australia	419,371	574,941	647,904	367,956	611,646
New South Wales	277,577	384,307	341,754	334,453	339,932
Victoria	181,193	378,687	252,364	408,876	358,782
Queensland	17,907	73,105	156,180	146,202	222,251
Re-Exports	7	3	25	7	9
Tasmania	0	0	0	0	0

Pulses

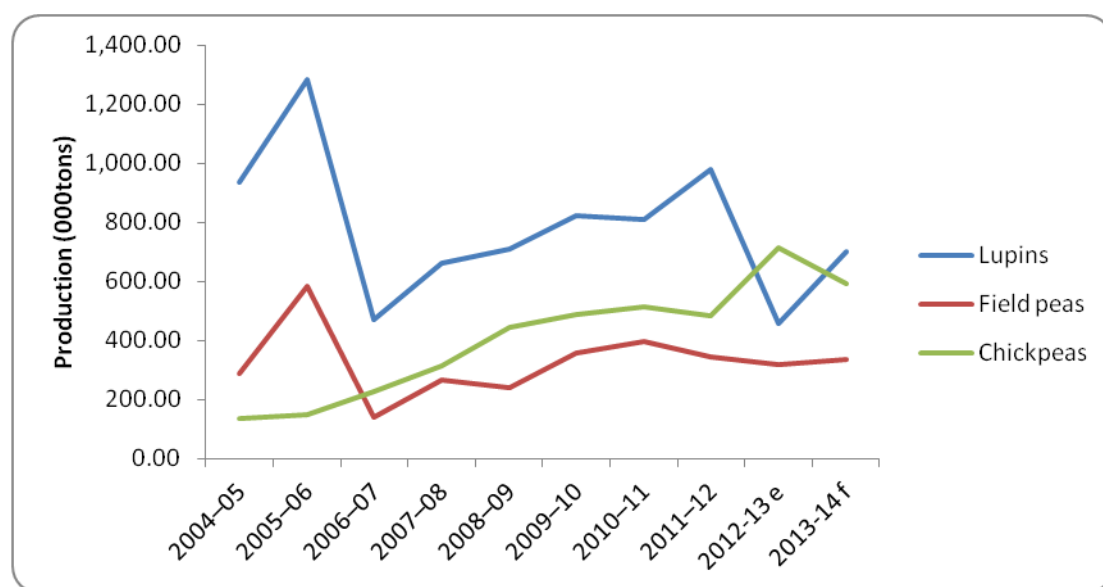
Pulses (also known as grain legumes) have been used as a rotation break for cereal and fiber crops in Australia for many years. Their value was initially in breaking disease cycles and increasing soil nitrogen levels but in recent years global demand for pulses has increased which increased their value in their own right. The most common pulse crops grown in Australia are lupins, field peas and chickpeas. Smaller areas of faba beans and mung beans are also grown.

Reflecting the increasing importance of pulses in Australia, Pulse Breeding Australia will hold its inaugural conference in Adelaide in October 2013. The conference will cover plant breeding developments, agronomic solutions and feature international speakers from Canada and the International Pulse Trade and Industries Confederation.

Production

The largest global producer of pulses by a significant margin is India with China and Canada ranking second and third. Australia ranks about eighth and produces similar tonnages to the United States. Lupins account for the largest proportion of Australian pulse production with an average of 883,000 tons produced since 2005-06. The majority of Australian lupins are grown in the wheat belt of Western Australia with smaller areas in South Australia and central Victoria. The area sown to lupins is expected to increase to 579,000 hectares in 2013 due to price increases.

Production of field peas peaked at 584,000 tons in 2005-06 and since then has declined to average around 300,000 tons per year. Production is expected to increase slightly in 2013/14 in response to dry conditions which eliminates the option of planting other broadleaf crops.



The major growth area in pulses is in chickpeas. Chickpeas are a winter pulse crop which is often grown in rotation with wheat. Although still less than 3 percent of the total area of winter crops, the area of chickpeas grown in Australia has increased significantly over the last five years. In 2012/13 563,600 hectares was grown at an average yield of 1.3t/ha which produced a total of 713,000MT, the majority of which will be exported. A major driver behind the increase in chickpea production is the consistently high prices compared to wheat (as shown in Figure 3).

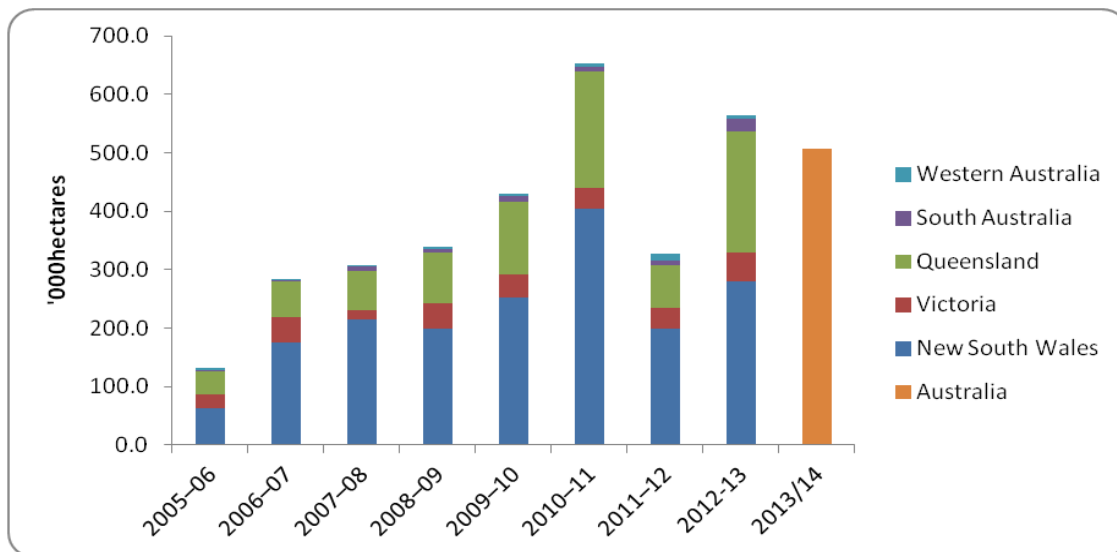


Figure 2 Area of chickpea production (000ha)

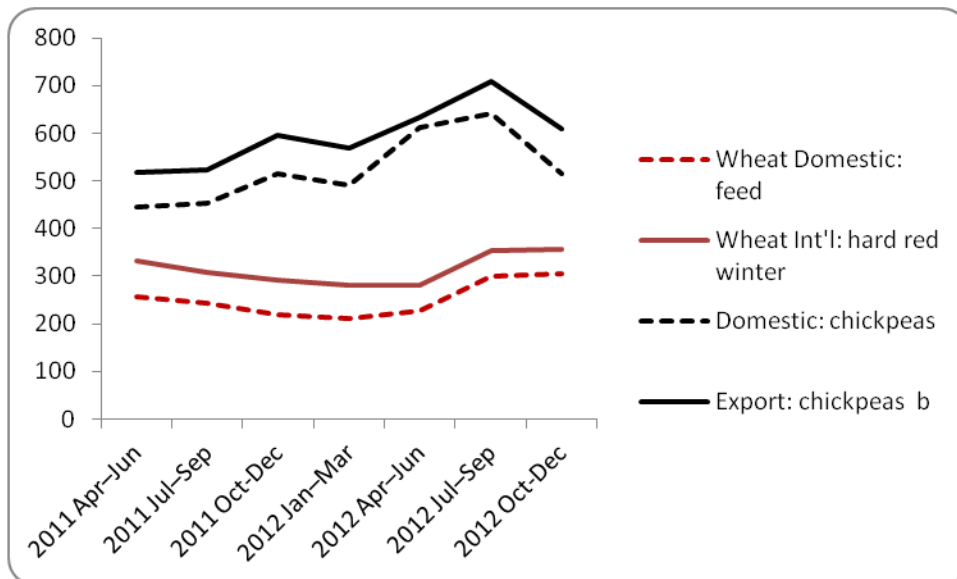


Figure 3 Australia Chickpea v. Wheat prices

As at April 2013 soil moisture levels for the 2013/14 crop vary widely across the potential planting area and climate forecasts for the growing season are still largely uncertain. In Victoria particularly, summer rainfall has been well below average with above average temperatures which have continued into the first months of fall. For these areas chickpeas may be an attractive alternative for growers.

The increased interest in chickpeas is evident in that Pulse Australia (the key lobby and research group) is holding chickpea agronomy workshops immediately prior to the start of the 2013 planting period.

The price for chickpeas has been largely driven by demand from India and Pakistan who together made up over 60 percent of the export market for Australian chickpeas in 2011/12.

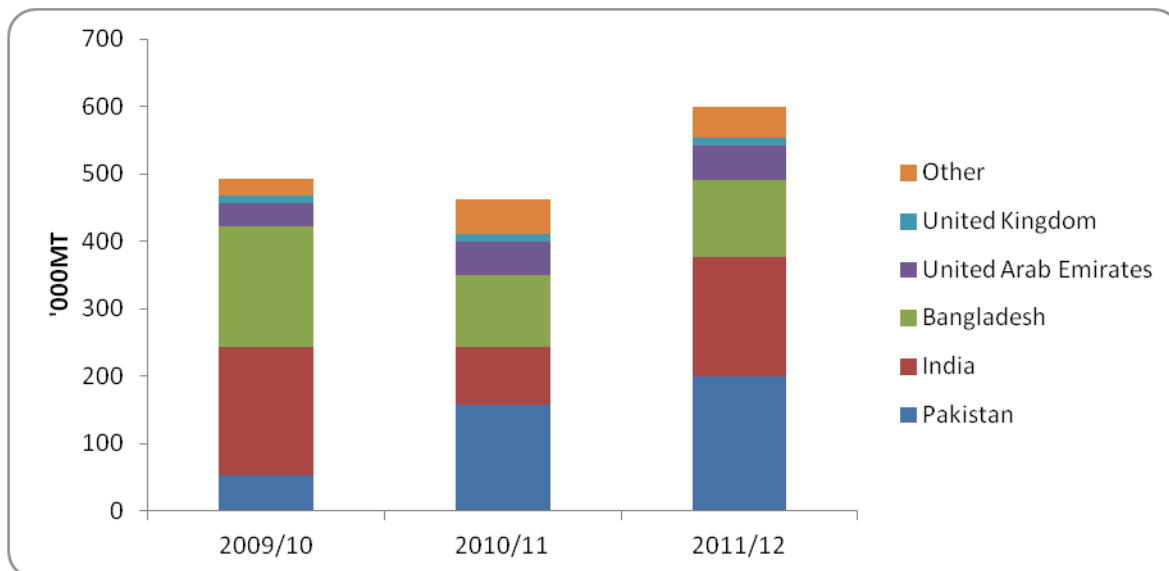


Figure 4 Australian chickpea exports

Oilseeds

Canola yields in 2012/13 were generally higher than expected which combined with record harvested area resulted in increase in the total production estimate to 3.1 MMT.

However, dry conditions across many cropping regions and the need to rotate paddocks into alternative crops is expected to significantly reduce canola production in 2013/14. In NSW early forecasts are for a 32 percent reduction in area compared to that harvested in 2012/13.

Unlike the eastern states some areas of Western Australia have received good planting rain with the result that canola planting has started much earlier than in 2012.

Summer crop harvest

Rice

Favorable harvest conditions and a quick harvest have increased estimated rice production to 1.1 million tons.

Cotton

The cotton harvest in southern Queensland and northern New South Wales is progressing well. A quick harvest has been supported by good weather although some crops are not yielding as well as hoped due the extreme heat experienced over summer which was followed by an extreme rain event over two days in late January. This has led to some quality downgrades. Most areas are yielding 9.5 to 11 bales per hectare which is slightly less than hoped.

The expected early finish to the cotton harvest should give most growers the opportunity to plant a winter crop so long as planting rain is received.

Sorghum

Hot, dry conditions over summer were compounded by late summer rainfall which delayed sorghum harvest in southern and central Queensland with the result that yields and quality were less than previously hoped. In New South Wales late planted sorghum is still waiting to be harvested with some growers now concerned that early frosts will also affect crops which are still in the grain-filling stage.